



AGENDA ITEM EXECUTIVE SUMMARY

Title:	Recommendation to Approve Voluntary Separation Incentive Program
Presenter:	Kathy Livernois

Please check appropriate box:

<input checked="" type="checkbox"/>	Government Operations – 2/7/11	<input type="checkbox"/>	Government Services
<input type="checkbox"/>	Planning & Development	<input type="checkbox"/>	City Council – 2/21/11

Estimated Cost:		Budgeted:	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
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If NO, please explain how item will be funded:

Executive Summary:

As a service organization that relies on its employees to provide the highest level of service to the residents and businesses of the community, our employees are our most valuable resource, and the City makes a tremendous investment in them. As part of our on-going effort to maintain services and minimize the tax burden, it is inevitable that we look critically at expenditures related to personnel – salaries, pensions, insurance, etc. – since this is where much of the cost escalation has been encountered over the last several years.

As you recall, the St. Charles Sustainability Initiative (SSI) was formulated in April 2010 and initiated in May 2010. One of the SSI submissions suggested that the City offer another separation incentive for City employees. These programs have a cost in the short term but will enable the City to defer replacement of positions, restructure, and/or eliminate positions.

A Voluntary Separation Incentive Program is proposed to be offered to all current full-time or regularly scheduled (IMRF) part-time employees. The program would be optional and voluntary. At this time, it is proposed that information regarding this program be provided to eligible employees. An initial non-binding letter of interest would allow staff to gauge the level of interest and more accurately calculate the fiscal impact on the City's budget as well as the impact on staffing levels in various departments and divisions.

Attachments: *(please list)*

Draft Voluntary Incentive Program offer memo
Voluntary Separation Incentive Program Presentation

Recommendation/Suggested Action *(briefly explain):*

Recommend that the City Council approve the Voluntary Separation Incentive Program and that the offer letter and non-binding letter of interest be distributed to all full-time and regularly scheduled part-time employees for review and consideration.

For office use only:

Agenda Item Number:

#4



Memo

DATE: February 22, 2011
TO: {Name}
FROM: Brian Townsend
RE: Voluntary Separation Incentive Program (VSIP)

Background

During the past few years, the City of St. Charles has responded appropriately and admirably to faltering economic conditions. It has achieved that by implementing decisions that have short and long-term benefits, including the reduction of employee population, deferring purchases and capital projects, adjusting service offerings, and enacting new sources of revenue. These steps were taken incrementally, as the City has assessed the breadth and depth of the situation. In other words, the response has been measured and careful.

The St. Charles Sustainability Initiative (SSI) was formulated in April, 2010 and was initiated in May, 2010. The City of St. Charles is formulating a strategy to reach sustainability going forward. In achieving that, it will be essential to work together in the same way that we have done so far – collaboratively, creatively, and openly.

The City of St. Charles is a service organization that depends on its employees to provide services to the residents and businesses of the community. We are fortunate to have very dedicated and well-qualified employees who provide valuable service to the City. There is no question that our employees are the City's most valuable resource and the City makes a tremendous investment in them.

Voluntary programs that offer employees incentives to separate from service are one of the many "tools" typically used by organizations to reduce personnel costs. The programs have a cost in the short term but will enable the City to defer replacement of positions, restructure, and/or eliminate positions.

During FY09-10, the City offered a Voluntary Retirement Incentive Program (VRIP) in an effort to encourage retirement-eligible employees to separate from service. The program was a success as several employees elected to participate and the City was able to achieve financial advantages by not filling, or eliminating, positions that were vacated.

As part of SSI, it was suggested that the City offer another separation incentive for City employees. The City Council has authorized that employees be offered such a program during 2011. What is provided below is a general outline of the City of St. Charles Voluntary Separation Incentive Program (VSIP). I encourage you to carefully review the information. Also, please understand that this program is **optional**.

Eligibility

The Voluntary Separation Incentive Program is available to any current full-time or regularly scheduled (IMRF) part-time employee who has been actively performing his/her job responsibilities in the last thirty (30) days.

This voluntary program is deemed a “buy-out” incentive. It is not mandatory that you be eligible for retirement or that you receive a retirement pension under IMRF, the Police Pension Fund, or the Firefighters’ Pension Fund. It is only mandatory that you permanently separate from City service.

Amount of the Voluntary Incentives

Full-time employees may choose one of three (3) incentives options. In addition, there is one (1) option for regularly scheduled part-time (IMRF) employees. Listed below are these options.

Full-Time Employees:

1. A base amount of \$10,000 will be provided, regardless of length of service. In addition, for every year of service, one (1) week of pay will be provided up to a maximum of \$10,000. These payments will be paid thirty (30) days after separation from employment. One (1) year of health insurance, at your present coverage level, will also be provided at the same cost as if you were still employed by the City. Thereafter, you may continue on the City's insurance per COBRA or Retirement rules (see **Health Insurance Continuation Rules** below).
2. A base amount of \$10,000 will be provided, regardless of length of service. This payment will be paid thirty (30) days after separation from employment. In addition, two (2) years of health insurance, at your present coverage, will be provided at the same cost as if you were still employed by the City. Thereafter, you may continue on the City's insurance per COBRA or Retirement rules (see **Health Insurance Continuation Rules** below).
3. A base amount of \$10,000 will be provided, regardless of length of service. In addition, for every year of service, one (1) week of pay will be provided up to a maximum of \$20,000. You may continue on the City's insurance per COBRA or Retirement rules (see **Health Insurance Continuation Rules** below).

Part-Time Employees:

For every year of service, 25 hours of pay will be provided up to a maximum of \$10,000.

Health Insurance Continuation Rules

- Retirees with Pension – eligible for life of employee and/or dependents; if employee passes away then dependent(s) can continue coverage for up to an additional 36 months.
- Non-Retirees – 18 months.

Vacation/Sick/Personal Leave Payout

All payouts will be in accordance with the applicable section(s) of the City's Personnel Policy Manual and/or Collective Bargaining Agreement. If you are eligible for other leave, such as held holidays, it will be handled in accordance with the applicable Collective Bargaining Agreement.

Unemployment Compensation

Again, this is a voluntary program, so if you choose to participate, you will waive your right to unemployment compensation.

Letter of Interest Process

If you are interested in this program, you must complete the attached letter of interest indicating your potential interest and which incentive you would be interested in. At this point in the process, your interest is **non-binding**. Again, completing the letter of interest is for ascertaining interest only. The purpose is to formalize your interest in the program and to allow the City to prepare a cost-benefit analysis.

If the City, **in its sole discretion**, implements this program, a binding separation agreement will be prepared that will include the amount of your incentive, your separation date, and a number of other items, along with a waiver, and release. You will then have 45 days to sign the separation agreement, which, once signed, will be binding on both you and the City. Employees are advised to contact their personal attorney (at his/her own expense) to review the separation agreement, waiver, and release.

Waiver and Release

In order to receive the VSIP available under this plan, an employee who chooses to participate in the program and who has signed a Separation Agreement must submit the signed waiver and release to the City upon his/her separation from employment. In no event, however, shall the waiver and release be executed prior to the employee's separation from employment. An employee may revoke a signed waiver and release within seven (7) days of signing the waiver and release. Any such revocation must be made in writing and must be received by Human Resources within the seven (7) day period.

An employee who revokes the waiver and release within the specified timeframe shall not be eligible to receive the incentives under the program, even though that employee will still be separated from employment.

Separation Date

The completed letter of interest must include a requested date that you would like to separate from service, which can be no earlier than June 17, 2011, and no later than September 16, 2011.

Once your letter of interest is received, the City will consider the date requested by the employee, as well as the needs of the City, in order to minimize the disruption on operations and to meet the

organizational needs contemplated by this program. Depending on the response to the program, the City reserves the right to change, delete, or add to the program.

Letter of Interest Deadline

A letter of interest for this voluntary program must be submitted to Human Resources no later than March 25, 2011.

Employees will be offered separation agreements by the end of April, 2011, and will have 45 days from receipt to consider and accept/execute them. As it is impossible to gauge the level of response to this program before formally accepting applications, the City reserves the right to limit the number of voluntary incentives given.

This is a voluntary program, and the ultimate decision as to whether to leave the City's employment is significant. Employees should carefully consider all aspects of the VSIP before accepting this offer.

I encourage you to talk to the Human Resources Department, should you have any questions about this program or any related issue(s).

Thank you for your consideration.

City of St. Charles
Non-Binding Letter of Interest
Voluntary Separation Incentive Program

Name

Department

Position Title

Hire Date

Requested Separation Date

(between June 17, 2011 and September 16, 2011)

Full-Time Employee Options (Select One):

- ☐ **Option 1** - A base amount of \$10,000 will be provided, regardless of length of service. In addition, for every year of service, one (1) week of severance pay will be provided up to a maximum of \$10,000. One (1) year of health insurance, at your present coverage level, will also be provided at the same cost, as if you were still employed by the City. Thereafter, you may continue on the City's insurance per COBRA or Retirement rules.
- ☐ **Option 2** - A base amount of \$10,000 will be provided, regardless of length of service. In addition, two (2) years of health insurance, at your present coverage, will also be provided at the same cost, as if you were still employed by the City. Thereafter, you may continue on the City's insurance per COBRA or Retirement rules.
- ☐ **Option 3** - A base amount of \$10,000 will be provided, regardless of length of service. In addition, for every year of service, one (1) week of severance pay will be provided up to a maximum of \$20,000. You may continue on the City's insurance per COBRA or Retirement rules.

Part-Time Employee:

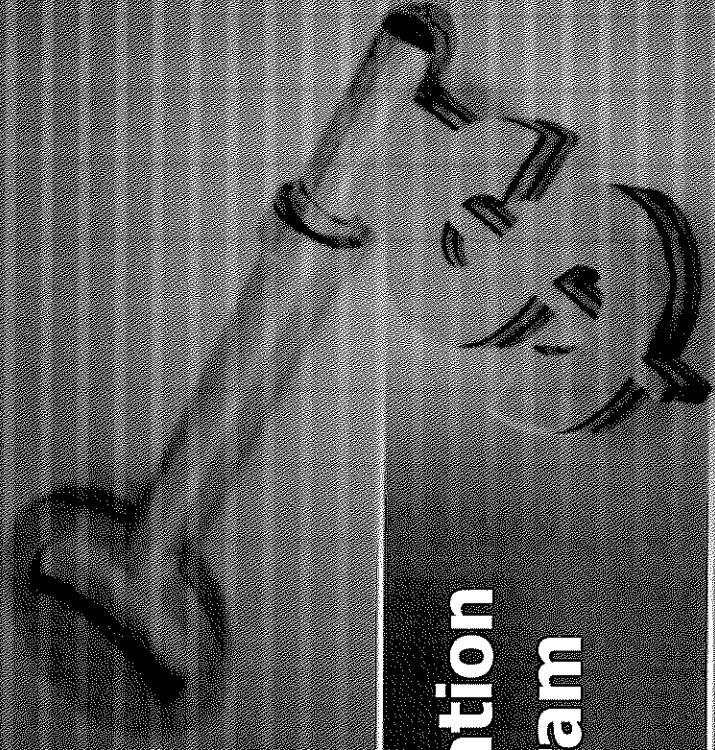
- ☐ **Option 1P** - For every year of service, 25 hours of pay will be provided up to a maximum of \$10,000.

By signing below, I acknowledge that this *non-binding letter of interest* is submitted in order to formally express my interest in the City's Voluntary Separation Incentive Program. I request that the City of St. Charles estimate the amount of the incentive. I further acknowledge that the City reserves the right to propose a separation date that is in the best interest of the City as well as limit the number of Voluntary Separation Incentive Program applications accepted.

Employee Signature

Date

**This letter of interest must be submitted to Human Resources by March 25, 2011.
Any application received after this date will not be accepted.**



Voluntary Separation Incentive Program 2011

City of St. Charles

Voluntary Separation Incentive Program

- Optional and voluntary.
- Eligibility - All current full-time or regularly scheduled (IMRF) part-time employees who have worked in the last 30 days.
- Receipt of retirement pension is not mandatory.

Voluntary Separation Incentive Program

Why?

1. It will allow the City to reduce long-term costs through a reduction in the City workforce.
2. It is preferred to have employees leave voluntary rather than involuntary.
3. The program is based on feedback received from employees post-VRIP.

Voluntary Separation Incentive Program

Full-Time Employees

Option 1

- \$10,000 base payment
- 1 yr. health ins. at employee level of coverage and cost.
- 1 week pay, per year of service, up to \$10,000

Option 2

- \$10,000 base payment
- 2 yrs. health ins. at employee level of coverage and cost.

Option 3

- \$10,000 base payment
- 1 week pay per year of service up to \$20,000

Part-Time Employees

- 25 hours pay, per year of service, up to \$10,000

Voluntary Separation Incentive Program

Estimated Cost Analysis - \$50,000 Salary For Incentive Only

		10 Year Employee	20 Year Employee	25 Year Employee
Option 1	Base Payout	10,000	10,000	10,000
	Insurance Value	16,000	14,100	14,100
	Length of Service	9,615	10,000	10,000
	Total Value	35,615	34,100	34,100
Option 2	Base Payout	10,000	10,000	10,000
	Insurance Value	32,000	28,200	28,200
	Length of Service	-	-	-
	Total Value	42,000	38,200	38,200
Option 3	Base Payout	10,000	10,000	10,000
	Insurance Value	-	-	-
	Length of Service	9,615	19,231	20,000
	Total Value	19,615	29,231	30,000

Voluntary Separation Incentive Program

Estimated Cost Analysis - \$70,000 Salary For Incentive Only

		10 Year Employee	20 Year Employee	25 Year Employee
Option 1	Base Payout	10,000	10,000	10,000
	Insurance Value	16,000	14,100	14,100
	Length of Service	10,000	10,000	10,000
	Total Value	<u>36,000</u>	<u>34,100</u>	<u>34,100</u>
Option 2	Base Payout	10,000	10,000	10,000
	Insurance Value	32,000	28,200	28,200
	Length of Service	-	-	-
	Total Value	<u>42,000</u>	<u>38,200</u>	<u>38,200</u>
Option 3	Base Payout	10,000	10,000	10,000
	Insurance Value	-	-	-
	Length of Service	13,462	20,000	20,000
	Total Value	<u>23,462</u>	<u>30,000</u>	<u>30,000</u>

Voluntary Separation Incentive Program

Estimated Cost Analysis - \$100,000 Salary For Incentive Only

		10 Year Employee	20 Year Employee	25 Year Employee
Option 1	Base Payout	10,000	10,000	10,000
	Insurance Value	16,000	14,100	14,100
	Length of Service	10,000	10,000	10,000
	Total Value	36,000	34,100	34,100
Option 2	Base Payout	10,000	10,000	10,000
	Insurance Value	32,000	28,200	28,200
	Length of Service	-	-	-
	Total Value	42,000	38,200	38,200
Option 3	Base Payout	10,000	10,000	10,000
	Insurance Value	-	-	-
	Length of Service	19,231	20,000	20,000
	Total Value	29,231	30,000	30,000

Voluntary Separation Incentive Program

Questions?

Comments?

